

Message Text

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ACTION NEA-10

INFO OCT-01 AF-08 EUR-12 EA-07 ISO-00 AID-05 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 OMB-01 SS-15 NSC-05 NEAE-00 /095 W
-----281710 074819 /47

P R 281135Z FEB 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC PRIORITY 2184
AMEMBASSY ABU DHABI
AMEMBASSY BONN
AMEMBASSY DOHA
AMEMBASSY KHARTOUM
AMEMBASSY LONDON
AMEMBASSY TEHRAN
AMEMBASSY TOKYO

C O N F I D E N T I A L CAIRO 3469

E.O. 11652: GDS
TAGS: USEGJC, EAID IMF
SUBJ: ASSISTANCE TO EGYPT: IMF STANDBY

REF: CAIRO 3307 (NOTAL)

1. IMF TEAM HAS REACHED TENTATIVE AGREEMENT ON TERMS FOR A ONE-YEAR SDR 125 MILLION (\$146 MILLION APPROXIMATELY) STANDBY, AGREEMENT, IN FORM OF A DRAFT LETTER OF INTENT FROM GOE TO FUND, WILL BE CONSIDERED IN WASHINGTON AND COULD BE APPROVED IN NEXT 4 - 6 WEEKS. LETTER WAS UNSIGNED WHEN IMF REPS DEPARTED (MORNING OF FEBRUARY 28) IN ORDER TO PERMIT DEP PM KAISOUNI TO CLEAR THE TEXT WITH PM SALEM, BUT IT IS ANTICIPATED THAT KAISOUNI WILL TAKE SIGNED LETTER WITH HIM TO WASHINGTON WHEN HE GOES THERE ON MARCH 1.

2. MONEY WILL BE MADE AVAILABLE IN INSTALLMENTS WITH 50 PERCENT OF ABOVE AMOUNT AS FIRST INSTALLMENT. REMAINING
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FUNDS WILL BE IN PHASED DRAWINGS DEPENDENT UPON EGYTIAN COMPLIANCE WITH TERMS OF THE AGREEMENT.

3. FUND HAS EVIDENTLY DECIDED TO ACCEPT BANK-FINANCED DEFICIT IN FY 77 BUDGET AT LEVEL OF LE 400 MILLION SINCE THEY BELIEVE THAT SUFFICIENT EFFORT IS BEING MADE IN OTHER ASPECTS OF GOE ECONOMY TO COMPENSATE FOR RELAXATION IN EARLIER STRINGENT IMF

REQUIREMENTS. (INITIAL IMF CEILING WAS LE 130 MILLION DEFICIT, BUT JANUARY RIOTS CLEARLY INDICATED UNACCEPTABLE RESULTS OF AUSTERITY OF THAT MAGNITUDE.) WE WERE NOT GIVEN DETAILS OF EXACTLY WHAT THE OTHER STEPS EGYPT IS TO UNDERTAKE, BUT DOMESTIC CREDIT CEILINGS AGREED UPON WILL ALMOST CERTAINLY BE AMONG THEM.

4. COMMENT: SIGNIFICANCE OF THESE DEVELOPMENTS IS NOT SO MUCH SPECIFIC FUNDS INVOLVED AS IT IS IN TERMS OF ADDITIONAL ASSISTANCE, PARTICULARLY FROM ARABS, THAT IT MAY FACILITATE. IMF SEAL OF APPROVAL HAS BEEN CONSIDERED OF PRIMARY IMPORTANCE BY ARAB DONORS AS MEANS OF INDICATING THAT THERE MAY BE EVENTUAL LESSENING OF REQUIREMENTS FOR MASSIVE FINANCIAL SUPPORT. EFFECT OF AN AGREEMENT ON ATMOSPHERE AT FORTHCOMING IBRD CONSULTATIVE GROUP MEETING IS ALSO OF CONSIDERABLE POTENTIAL IMPORTANCE.

5. CAIRO RADIO AND PRESS REPORTS OF FEBRUARY 27 28 THAT \$600 MILLION FOUR-YEAR AGREEMENT HAD BEEN REACHED ARE ERRONEOUS. THREE-YEAR EXTENDED FUND FACILITY WORTH ABOUT \$450 MILLION COULD BE AGREED UPON IN FUTURE, BUT AT PRESENT TIME IS NOT VERY LIKELY.

6. AMBASSADOR IS MEETING WITH MINECON EL SAYEH (WHO WILL ACCOMPANY KAISSOUNI TO WASHINGTON) LATER TODAY AT LATTER'S REQUEST. FURTHER DETAILS ON STANDBY MAY BECOME AVAILABLE AT THAT TIME.
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Message Attributes

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Control Number: n/a
Copy: SINGLE
Sent Date: 28-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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